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FM AMEMBASSY SINGAPORE

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C O N F I D E N T I A L SECTION 01 OF 03 SINGAPORE 001307

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EAP/MTS - M.COPPOLA

E.O. 12958: DECL: 12/09/2028

TAGS: PINR MARR PGOV PREL SN CN

SUBJECT: SINGAPORE VIEWS ON THE RISE OF CHINA (C-AL8-02576)

REF: STATE 126002

Classified By: Ambassador Patricia L. Herbold for Reasons 1.4 (b)(d).

¶11. (C) This Cable is in response to reftel demarche requesting information on Asian reactions to the Rise of China. This entire message is classified Confidential.

A) Assuming your host country's response to China is marked by both engagement and hedging, which do you see as predominant at present? What about 10 years from now?

--- Singapore's response is marked by both engagement and hedging, with perhaps greater emphasis on the latter. Singapore seeks to engage China both politically and economically, and has sought to leverage its linguistic and cultural links to gain advantage in trade and investment with the Mainland. Singapore has established several industrial zones in China and offers extensive training in public administration to local and provincial Chinese officials. Singapore signed a Free Trade Agreement with China in October ¶2008. Political relations with China have improved over the past two years following a low point in 2004, when Prime Minister Lee Hsien Loong (then Deputy PM) angered China by making an official visit to Taiwan. Singapore officials do not consider China an existential threat to Singapore at present but worry that it will increasingly assert its interests in Southeast Asia, a region of relatively small and weak states. Founding father Lee Kuan Yew (LKY) recently said the "Finlandization" of Southeast Asia is already underway (apparently in reference to Laos, Cambodia and Burma.). Singapore officials constantly speak of the need for the United States to remain fully engaged in Asia in order to maintain a healthy strategic balance, and for the United States to remain constructively engaged with China, in order to ensure it learns to behave according to international norms. LKY has spoken of a "worst case scenario" in which rising protectionism in the West leads China to "give up" on its integration into the international order, with unpredictable consequences for regional peace and security.

B) How much prominence do leaders and citizens give to China among other domestic or foreign-policy concerns?

--- China looms far larger in the Singapore consciousness than it did ten or twenty years ago. Three-quarters of Singapore's population of 4.5 million are ethnic Chinese, and there is growing pride here in China's accomplishments. Singapore's strategically minded leadership and think tanks

put considerable thought and energy into understanding the implications of China's emergence. Even so, Singapore is geographically relatively far from Mainland China and there has been considerable cultural drift, even among ethnic Chinese. For example, there was little detectable Beijing Olympics fever in Singapore. Singapore's trade dependence, wealth, and strong historical, educational, and business links with the West help serve as a counterweight to China's appeal.

C) Which interest groups factor significantly in your host country's interaction with China? Do their views tend to converge or conflict, and if conflict is the norm, whose views tend to prevail and on what issues? What role does public opinion play in shaping policy toward China?

-- Singapore's strategic-minded political leadership remains by far the country's most influential "interest group," from which think tanks, businesses and the media tend to take their cue. Singapore businesses, including government-linked companies like Temasek Holdings and sovereign wealth fund Government of Singapore Investment Corporation (GIC), have substantial holdings in China. Business has been supportive of close economic links to China, both to take advantage of commercial and investment opportunities and to diversify away from dependence on trade with the West. Increasing numbers of Mainland Chinese are taking advantage of both Singapore's dependence on unskilled foreign workers and its liberal policies toward immigration of skilled professionals.

Various sources estimate that between 300,000 - 400,000 Chinese nationals live, study and work in Singapore, out of roughly one million foreign workers and permanent residents. Attitudes of native Singaporeans toward unskilled Mainland Chinese workers appears relatively negative, compared to those toward other foreign worker populations. It does not appear Chinese nationals in Singapore have a significant influence on policy.

D) In what dimensions - including trade, foreign direct investment, supply of military equipment, and diplomatic support - does China influence host country policies?

-- Chinese investment in Singapore is relatively insignificant, although Singapore authorities recognize the potential of future Chinese investment and welcome it (Note: In 2006, there was U.S. \$1.0 billion worth of Chinese investment in Singapore. End Note). Bilateral trade has grown substantially in recent years. However, Singapore does not appear to have changed any of its economic policies specifically due to Chinese influence. Singapore does not purchase Chinese-made military hardware. It values its close strategic partnership with the United States as the ultimate guarantor of its security, and seeks to maximize interoperability with U.S. forces by purchasing most of its military equipment from the United States (e.g., F-15s). As a tiny, ethnic Chinese outpost in a complex region, Singapore seeks positive ties with all its neighbors and promotes ASEAN integration as a means to partially offset the growing influence of China and India. At the same time, it is mindful of the need to remain in the good graces of the region's large powers, including China. Singapore has on occasion received Chinese diplomatic support, such as when Singapore received China's support when competing with Malaysia and Indonesia in 2006 to locate the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP) Information Center in Singapore. Singapore is not inclined to defer to China as a matter of course on policy matters, though it would likely weigh carefully, and perhaps avoid, taking an opposing position on a matter of importance to China.

E) What economic, military, diplomatic, security, or domestic political benefits does the government in your country expect to derive from cooperation with China?

---Singapore seeks to take advantage of investment and trade opportunities with China, building on close cultural ties. Business and the government have made it a priority to

diversify Singapore's economy and its export markets and see China's growing domestic market as a balance to its dependence on exports to the United States, the European Union and Japan. Singapore and China signed a bilateral Free Trade Agreement in October 2008. The agreement will allow Singapore business greater access to China's market (Singapore already has few or no tariffs on most goods, so there are fewer economic benefits to China from the FTA). Contacts speculate that the FTA is "a reward" to Singapore for its support of China's Tianjin Eco-City project and its assistance in response to the Chengdu earthquake. The FTA is also viewed as a clear signal that Singapore is back in China's good graces after the strains caused by PM Lee's 2004 visit to Taiwan. More broadly, Singapore believes that building strong economic and political linkages with China is crucial to ensuring that China stays on a path of international engagement, which is key to ensuring the region's continuing peace, stability and prosperity.

F) Does your country expect China's power to continue to grow relative to its own power, the power of other countries in the region, and the United States? If so, is this a source of concern?

--Singapore expects China's economic, political and military power to grow relative to Southeast Asia (including Singapore) and the United States, although MFA Permanent Secretary Peter Ho noted to the Ambassador that Singapore does not expect the U.S. to "stand still," but rather continue to grow as well. Singapore officials appear to view this trend as inevitable and not necessarily a cause for alarm, provided the United States remains strongly engaged economically, militarily and politically in Asia. LKY and other senior officials have warned that rising protectionism in the West would ultimately weaken the United States and might cause China to give up on its current development model, with potentially catastrophic results for the region. At the same time, LKY has noted that China must guard against hubris, saying it will take several decades to develop the Chinese hinterland and before Chinese workers are fully competitive with those in Japan and the West.

G) What is the range of view in your country regarding China's current and likely future disposition toward the region and the United States? How prevalent is the assumption among the elites or the public that China aspires to preeminence in East Asia? What do they think the preeminence would look like?

-- Singapore's leadership appears united in believing China is currently preoccupied with developing its economy and addressing internal problems. Thus it is unlikely to be expansionist and is not interested in imposing its political values on others. Singapore appears to believe that China's leaders value its currently positive relationship with the United States and will continue to do so as long as it provides China economic and political benefits. As noted above, Singapore believes careful U.S. "management" of and engagement with China is critical to its healthy emergence. At the same time, Singapore leaders, including MFA PermSec Ho routinely express concern that several countries in mainland Southeast Asia (Burma, Laos, Cambodia and to a lesser extent, Thailand) are starting to gravitate toward to China. Singapore officials express concern that China is increasingly assertive in pursuing its interests and ensuring its access to needed resources. On the economic side, it is apparent to most Singaporeans that China's wealth and economic power are on the rise and that Chinese companies will one day have a greater presence in Singapore. Presently, however, Western investment and trade are far more important to Singapore than its economic links with China. The near-term concern is that China's industries will soon be able to compete for the high-end manufacturing that Singapore specializes in.

H) How widespread are host country views that hedging is required to safeguard against prospects that China may eventually seek decisive superiority in East Asia? How would

the hedging or balancing be reflected in your host country's behavior?

-- Singapore's strong sense of vulnerability lead it to pursue a foreign policy of seeking good relations with all players. It seeks a healthy balance among the major powers in Asia. Above all, it seeks a continued strong U.S. economic, military and political presence as the ultimate guarantor of the region's, and its own, security and prosperity.

I) How important is continued U.S. strategic engagement in East Asia to your country? Is it viewed as essential to maintaining national sovereignty? Or is the prevailing view that adequate independence - on its own or in partnership with other countries - can be maintained even if the United States withdrew from the region? Does the host country have concerns that the United States may not have an enduring commitment to denying China's regional preeminence or otherwise sustaining alliances and force deployments in East Asia?

-- As noted above, Singapore officials constantly say that U.S. strategic engagement in East Asia is of critical importance to the region's peace and stability. They continue to express concern that the United States is preoccupied elsewhere and not paying sufficient attention to Asia. And they worry that rising protectionism in the West could cause China to turn inward, with unpredictable consequences. While Singapore officials have not expressed it openly, it is likely they would see a U.S. withdrawal as potentially an existential threat to Singapore, given its tiny size and potentially hostile neighborhood.

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